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GRAVITY DRAINAGE DISTRICT NO. 1  
OF RAPIDES PARISH  
Alexandria, Louisiana

Annual Financial Report  
As of and for the Year Ended December 31, 2004  
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/29/05

**GRAVITY DRAINAGE DISTRICT NO. 1  
OF RAPIDES PARISH  
Alexandria, Louisiana**

Annual Financial Report  
As of and For the Year Ended December 31, 2004  
With Supplemental Information Schedules

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**REQUIRED SUPPLEMENTAL INFORMATION (PART I)**

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
Alexandria, Louisiana

**MANAGEMENTS' DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2004

The discussion and analysis of the Gravity Drainage District No. 1 of Rapides Parish's financial performance provides an overview of the financial activities as of and for the year ended December 31, 2004. It should be read in conjunction with the basic financial statements and the accompanying notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

The basic financial statements of the Gravity Drainage District No. 1 of Rapides Parish, as of and for the year ended December 31, 2004, provides the following insights into the financial position and the results of operations. Governmental funds reported a general fund surplus of \$1.635 million, an increase of \$.124 million from the prior year. Total spending for all programs was \$.332 million for the year. The district's revenues increased by 83.16 per cent and the expenditures increased by 171.62 per cent. The increase, in the revenues and expenditures, is mainly due to the district receiving additional funding from the State of Louisiana to conduct a feasibility relating to drainage improvements in the parish.

**USING THIS ANNUAL REPORT**

The district's basic financial statements consists of a series of financial statements that show information for the district as a whole, its funds, and its financial responsibilities. The Statement of Net Assets and the Statement of Activities (pages 6 and 7) provide information about the activities of the district as a whole and present a longer-term view of the district's finances. The fund financial statements of the district begin on page 8. For the district's governmental activities, these statements report how the district finances its services in the short-term as well as what remains for future spending. Fund statements may also provide insights into the district's overall financial position. Fund financial statements also report the district's operations in more detail than the government-wide financial statements by providing information about the district's general fund.

The Statement of Net Assets and the Statement of Activities are reported using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received and/or paid. These statements present the governmental activities of the district which comprises all of the district's services.

These statements report the district's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as a way to measure the district's financial position. Increases or decreases in the district's net assets, as reported in the Statement of Activities, are an indicator of whether the district's financial position is improving or deteriorating. The difference between revenues and expenses presents the district's operating results; however, the district's objective is to provide services to the residents of the parish and the public in general, and not to generate profits as a commercial enterprise.

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
Alexandria, Louisiana  
Management's Discussion and Analysis (Continued)

The fund financial statements, beginning on page 8, provide detail information about the general fund of the district, but not the district as a whole. The general fund is required to be established by State law to enable the district to control and manage financial resources for particular purposes or to demonstrate that the district is meeting legal requirements for the expenditure of revenues.

The district's services are reported in governmental funds which focus on showing how financial resources flow into and out of funds and the balances remaining at year-end that may be available for future spending, using the modified accrual basis of accounting, which measures cash and other financial assets that may be readily converted to cash. This basis of accounting provides a detailed short-term view of the district's operations and the services it provides. The governmental fund information enables financial statement users to determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. The relationship between governmental activities reported in the government-wide financial statements (Statement A and B) and the governmental funds in the fund financial statements (Statement C and E) is presented in a reconciliation on Statements D and F.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

As reported on the Statement of Net Assets, page 6, (Statement A) the district's net assets were \$3.01 million, at December 31, 2004. This represents a net decrease of \$.058 million or 1.92 per cent from the prior year. The \$1.64 million in unrestricted net assets of governmental activities represents the accumulated results of all past year's operations. It means that if the district had to pay off all of its bills (current liabilities) at December 31, 2004, a balance of \$1.64 million, would be remaining.

As reported in the Statement of Activities, page 7, (Statement B) the results of this year's operations for the district reflected a decrease of \$.058 million or 1.92 per cent. The district intends to closely monitor future expenditures with adherence to the approved budget to ensure financial stability.

**FUND FINANCIAL STATEMENTS (FFS)**

As reported on the Governmental Fund Balance Sheet, page 8, (Statement C) the district reported total assets of \$1.64 million, this is an increase of approximately \$.124 million or 8.17 per cent from the prior year.

As reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance (Statement E), page 9, the total revenues increased by \$.207 million or 83.16 per cent and expenditures increased by \$.210 million or 171.62 per cent from the prior year.

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
Alexandria, Louisiana  
Management's Discussion and Analysis (Continued)

**BUDGETARY HIGHLIGHTS**

Budgetary information is presented on page 20, (Schedule 1) demonstrates the level of budgetary control exercised by the district as well as compliance with State law relating to budgets and the budgetary process. Supplemental appropriations were not made by the district during the year. This resulted in an unfavorable variance in total revenues of .346 million or 89.53 per cent and a favorable variance in total expenditures of \$1.718 million, or 520.74 per cent. The variances are primarily due to the district's policy of budgeting State grant programs for the amount of the grant agreement in the year it is awarded and expenditures to the extent of prior year fund balance.

**CAPITAL ASSETS**

The capital assets of the district is limited to infrastructure; i.e., drainage canals and/or ditches. At December 31, 2004, the district had investments in capital assets (net of accumulated depreciation) totaling \$1.375 million.

**CONTACTING THE DISTRICT**

The financial report is designed to provide a general overview of the district's finances and to show accountability for the financial resources received. Questions about this report or requests for additional financial information should be directed to the Mr. Bruce Kelly, Treasurer, Gravity Drainage District No. 1 of Rapides Parish, Post Office Box 1048, Alexandria, LA 71309 at phone number 318-473-6660.

**HERBIE W. WAY**  
**CERTIFIED PUBLIC ACCOUNTANT**

55 Terra Avenue  
Alexandria, LA 71303  
318/442-7568  
Fax: 318/442-9495

**Independent Auditor's Report**

**BOARD OF COMMISSIONERS**  
**GRAVITY DRAINAGE DISTRICT NO. 1**  
**OF RAPIDES PARISH**  
Alexandria, Louisiana

I have audited the basic financial statements of the Gravity Drainage District No. 1 of Rapides Parish as of December 31, 2004, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Gravity Drainage District No. 1 of Rapides Parish's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gravity Drainage District No. 1 of Rapides Parish as of December 31, 2004, and the results of operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Gravity Drainage District No. 1 of Rapides Parish adopted, effective January 1, 2004, the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments: Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures. Adoption of these standards results in a change in the format and content of the basic financial statements and additional disclosures.

The Required Supplementary Information (Part I & II), as listed in the foregoing table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This Required Supplementary Information is the responsibility of the management of the Gravity Drainage District No. 1 of Rapides Parish. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
INDEPENDENT AUDITOR'S REPORT  
CONTINUED

In accordance with Government Auditing Standards, I have also issued a report dated April 26, 2005, on my consideration of internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the basic financial statements. The accompanying supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the district. Such information has been subjected to the procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Herbie W. Way*

Herbie W. Way  
Alexandria, Louisiana  
April 26, 2005



## Statement A

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana

Statement of Net Assets  
December 31, 2004

## ASSETS

Cash and cash equivalents	\$1,370,863
Receivables:	
Ad valorem taxes	211,644
State revenue sharing	5,245
State grants	54,709
Capital assets, net of depreciation	1,374,553
	-----
TOTAL ASSETS	\$3,017,014
	=====

## LIABILITIES

Liabilities - accounts payable	\$7,078
	-----

## NET ASSETS

Invested in capital assets	1,374,553
Unrestricted	1,635,383
	-----
TOTAL NET ASSETS	\$3,009,936
	=====

The accompanying notes are an integral part of this statement.

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## Statement B

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana

Statement of Activities  
 For the Year Ended December 31, 2004

## EXPENSES

Current - Public Works - Drainage:	
Personal services and related benefits	\$10,017
Operating services	314,914
Materials and supplies	93
Travel and other charges	6,859
Depreciation expense	181,332
	-----
TOTAL EXPENSES	513,215
	-----

## GENERAL REVENUES

Ad valorem taxes	221,438
State grants	213,610
Interest earnings	20,392
	-----
TOTAL GENERAL REVENUES	455,440
	-----

CHANGES IN NET ASSETS	(57,775)
	-----

NET ASSETS - JANUARY 1, 2004	3,067,711
	-----

NET ASSETS - DECEMBER 31, 2004	\$3,009,936
	=====

The accompanying notes are an integral part of this statement.

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## Statement C

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana

GOVERNMENTAL FUND - GENERAL FUND  
Balance Sheet, December 31, 2004

## ASSETS

-----

Cash and cash equivalents	\$1,370,863
Receivables:	
Ad valorem taxes	211,644
State revenue sharing	5,245
State grants	54,709
	-----

## TOTAL ASSETS

\$1,642,461

=====

## LIABILITIES AND FUND BALANCE

-----

## Liabilities:

Accounts payable	\$7,078
	-----

Fund balance - unreserved - undesignated

1,635,383

-----

## TOTAL LIABILITIES AND FUND BALANCE

\$1,642,461

=====

The accompanying notes are an integral part of this statement.

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## Statement D

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana

Reconciliation of the Governmental Fund  
Balance Sheet to the Statement of Net Assets  
December 31, 2004

Total Fund Balance - Governmental Fund		\$1,635,383
Cost of capital assets	\$7,387,809	
Less - accumulated depreciation	(6,013,256)	1,374,553
	-----	-----
Net Assets		\$3,009,936
		=====

The accompanying notes are an integral part of this statement.

## Statement E

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana  
 GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 For the Year Ended December 31, 2004

## REVENUES

Ad valorem taxes	\$221,438
State grants	213,610
Interest earnings	20,392
Total revenues	455,440

## EXPENDITURES

Current - Public Works - Drainage:	
Personal services and related benefits	10,017
Operating services	314,914
Materials and supplies	93
Travel and other charges	6,859
Total expenditures	331,883

EXCESS OF REVENUES OVER EXPENDITURES	123,557
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FUND BALANCE AT BEGINNING OF YEAR	1,511,826
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FUND BALANCE AT END OF YEAR	\$1,635,383
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The accompanying notes are an integral part of this statement.



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GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana

Reconciliation of the Governmental Fund  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balance to the Statement of Activities

For the Year Ended December 31, 2004

Total net change in fund balance - governmental fund		\$123,557
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period:		
Capital outlays	NONE	
Depreciation expense	(\$181,332)	(181,332)
	-----	-----
Change in net assets of governmental activities		(\$57,775)
		=====

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
Alexandria, Louisiana

Notes to the Financial Statements  
As of and For the Year Ended December 31, 2004

**INTRODUCTION**

Gravity Drainage District No. 1 of Rapides Parish was created under the authority of Louisiana Revised Statutes 38:1751-1802 and was established for the purpose of opening and maintaining all natural drains in the district, where drainage is accomplished using the natural force of gravity. This may be accomplished by cutting and opening new drains, ditches, and canals. The district uses contract labor to maintain the drainage system.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Gravity Drainage District No. 1 of Rapides Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, issued in June 1999.

**B. REPORTING ENTITY**

As the governing authority of the parish, for reporting purposes, the Rapides Parish Police Jury is the financial reporting entity for Rapides Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Rapides Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.

**GRAVITY DRAINAGE DISTINCT NO. 1 OF RAPIDES PARISH**  
**RAPIDES PARISH POLICE JURY**  
Alexandria, Louisiana  
Notes to the Financial Statements (Continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on criteria 1 through 3, the district was determined to be a component unit of the Rapides Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

**C. FUND ACCOUNTING**

The district uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

**Governmental Funds**

Governmental funds account for all of the district's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, the fund balance represents the accumulated expendable resources that may be used to finance future operations of the district. The district's current operations require the use of only governmental (general) fund. The General Fund is the general operating fund of the district and accounts for all financial resources.

**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)** - include the Statement of Net Assets (Statement A) and the Statement of Activities (Statement B). These financial statements report the financial position and results of operations for the district as a whole. Fiduciary funds are not included at this level, as they are only reported in the Statement of Fiduciary Net Assets at the fund financial statement level. The Government-Wide Financial Statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
Alexandria, Louisiana  
Notes to the Basic Financial Statements  
(Continued)

**Program Revenues** - Program revenues included in the Statement of Activities (Statement B) derive directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the general revenues.

**Allocation of Indirect Expenses** - The district reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Depreciation which cannot be specifically identified by function is assigned to the "travel and other charges" function due to the fact that the assets serve multiple purposes.

**Fund Financial Statements (FFS)** - governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Fund financial statements report detailed information about the school board. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The district considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues**

Ad valorem taxes and the related state revenue sharing are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1995 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December of the current year and January and February of the ensuing year.

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
Alexandria, Louisiana  
Notes to the Basic Financial Statements  
(Continued)

Interest income on time deposits is recorded when the time deposits have matured and the income is available.

Based on the above criteria, ad valorem tax and the related state revenue sharing are treated as susceptible to accrual.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**E. BUDGET PRACTICES**

The proposed budget of the General Fund, prepared on the cash basis, is adopted by the board of commissioners in a public meeting in December of the previous year. All appropriations lapse at year end. Although a system of encumbrance accounting is not used by the district, formal budget integration (within the accounting records) is employed as a management control device.

**F. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded.

**G. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposit, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those income-producing items with original maturities of usually 90 days or less. Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, the district may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
Alexandria, Louisiana  
Notes to the Basic Financial Statements  
(Continued)

**H. INVESTMENTS**

In accordance with Louisiana Revised Statute (LSA-R.S.) 32:2955, the district, upon determination of the availability of funds in excess of immediate cash requirements, may invest in direct United States Treasury obligations; bonds, debentures, notes, or other evidence of indebtedness guaranteed by federal agencies or United States government instrumentalities, provided that such obligations are backed by the full faith and credit of the United States government; and savings accounts and certificates of deposit of state banks organized under the laws of Louisiana or national banks having their principal offices in the state of Louisiana. Additionally, the district may invest in mutual or trust fund institutions (limited to 25 per cent of the funds considered available for investment under this section) provided that they are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the investment Act of 1940 and have underlying investments consisting solely of securities of the United States government or its agencies. Investments are stated at fair value.

**I. CAPITAL ASSETS**

Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The district maintains a threshold level of \$5,000 or more for capitalizing capital assets for reporting purposes. Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, consisting solely of infrastructure (drainage canals and ditches), are depreciated using the straight-line method with an useful live of 40 years.

**J. RESTRICTED NET ASSETS**

For Government-Wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either, externally imposed by creditors (such as debt covenants, construction contracts, etc.), grantors, contributors, or laws or regulations of other governments and/or imposed by law through constitutional provisions or enabling legislation.

**K. FUND EQUITY**

In the Fund Financial Statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
Alexandria, Louisiana  
Notes to the Basic Financial Statements  
(Continued)

**L. EXTRAORDINARY AND SPECIAL ITEMS**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence.

**M. USE OF ESTIMATES**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported on the basic financial statements and the related note disclosure at the date of the financial statements. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

Under state law, the district may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The district may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At December 31, 2004, the district has cash and cash equivalents as follows:

Demand deposits (interest bearing)	495,863
Time and certificates of deposit	<u>875,000</u>
Total	<u>\$1,370,863</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the district had cash and cash equivalents (collected bank balances) of \$1,454,327. These deposits are secured from risk by approximately \$300,000 of federal deposit insurance (GASB Category 1) and \$1,154,327 of the pledge of bank-owned securities held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties (GASB Category 3).

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.



**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
Alexandria, Louisiana  
Notes to the Basic Financial Statements  
(Continued)

**3. CAPITAL ASSETS**

Capital assets, comprised solely of infrastructure (drainage canals and ditches) and depreciation activity for the year ended December 31, 2004, follows:

Capital Assets	\$7,387,809
Less - accumulated depreciation	<u>(6,013,256)</u>
Net Capital Assets	<u>\$1,374,553</u>

**4. RISK MANAGEMENT**

The district is exposed to various risks related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The district has obtained commercial insurance for all the aforementioned risks and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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**REQUIRED SUPPLEMENTAL INFORMATION (PART II)**

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana  
 GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget (Non-GAAP Basis) and Actual  
 For the Year Ended December 31, 2004

	ORIGINAL BUDGET	ACTUAL	ADJUSTMENTS	ACTUAL ON BUDGET BASIS	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Ad valorem taxes	\$206,000	\$221,438	(\$14,102)	\$207,336	\$206,000	\$1,336
State funds	508,000	158,901	116	159,017	508,000	348,983
Interest earnings	19,000	20,392		20,392	19,000	1,392
Total revenues	733,000	400,731	(13,986)	386,745	376,034	346,255
EXPENDITURES						
Current:						
Public works - drainage:						
Personal services:						
Contractual	3,600	3,600		3,600	3,600	
Compensation paid board members	7,200	6,360		6,360	7,200	840
Related benefits	275	57	219	276	275	1
Operating services:						
Recording fees	105				105	105
Advertising	300	82		82	300	218
Payments to contractors and engineers	2,021,683	309,986	(1,908)	308,078	2,021,683	1,713,605
Insurance	4,850	4,846		4,846	4,850	4
Legal and accounting	3,000				3,000	3,000
Materials and supplies	400	93		93	400	307
Contribution to pension funds	6,600	6,859	(264)	6,595	6,600	5
Total expenditures	2,048,013	331,883	(1,954)	329,929	2,048,013	1,718,084
EXCESS (Deficiency) OF REVENUES						
OVER EXPENDITURES	(1,315,013)	68,848	(12,032)	56,816	(1,315,013)	1,371,829
FUND BALANCE AT BEGINNING						
OF YEAR	1,315,013	1,511,823	(197,776)	1,314,047	1,315,013	(966)
FUND BALANCE AT END OF YEAR	NONE	\$1,580,672	(\$209,809)	\$1,370,863	NONE	\$1,370,863

See auditor's report.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana  
SUPPLEMENTAL INFORMATION SCHEDULE  
For the Years Ended December 31, 2004

COMPENSATION PAID BOARD MEMBERS

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 38:1794, each board member receives per diem of up to \$65 for each day in the conduct of official business of the district, not to exceed 36 days each year. The board has elected to compensate board members \$60 for each day in the conduct of official business of the district, not to exceed 24 days each year.

GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Compensation Paid Board Members  
For the Year Ended December 31, 2004

Board Member	Number	Amount
John Bradas	24	\$1,440
Marion Chaney	23	1,380
Maxie Figgins	23	1,380
Max Johnson	24	1,440
Wilburn Smith	12	720
Totals		\$6,360

See auditor's report.

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**HERBIE W. WAY**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
Alexandria, Louisiana**

I have audited the financial statements of the Gravity Drainage District No. 1 of Rapides Parish as of and for the year ended December 31, 2004, and have issued my report thereon dated April 26, 2005. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.



GRAVITY DRAINAGE DISTRICT NO. 1 OF RAPIDES PARISH  
Alexandria, Louisiana  
Compliance and Internal Control Report  
(Continued)

Prior Year Audit Findings

The audit for the year ended December 31, 2003, disclosed no instances of noncompliance that were required to be reported under Government Auditing Standards or matters involving the internal control over financial reporting and its operation that were considered to be material weaknesses.

General

This report is intended for the information of the audit committee, management, and certain state regulatory entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute (LSA-R.S.) 24:513, this report is distributed by the Louisiana Legislative Auditor as a public documents.

*Herbie W. Way*

Herbie W. Way  
Alexandria, Louisiana  
April 26, 2005